

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00
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FM AMCONSUL QUEBEC
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INFO AMEMBASSY OTTAWA
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UNCLAS QUEBEC 0213

E.O. 11652: N/A

TAGS: ECON, CA

SUBJECT: MINIMUM WAGE RISE IN QUEBEC

1. QUEBEC MINISTER OF LABOR, JACQUES COUTURE, YESTERDAY ANNOUNCED
GOQ DECISION TO INDEX MINIMUM WAGE TO COST OF LIVING. IMMEDIATE
PRACTICAL IMPACT WILL BE RISE OF MINIMUM HOURLY WAGE FROM 3 DOLLARS TO

3.15 DOLLARS EFFECTIVE 1 JULY. THIS WILL GIVE QUEBEC WORKERS
HIGHEST MINIMUM WAGE IN CANADA. INDEXATION OF MINIMUM WAGE IS FIRST
STEP IN PQ PROGRAM TO ASSURE NON-UNIONIZED WORKERS MINIMUM WORKING
CONDITIONS. ACCORDING TO A MINISTRY OF LABOR STUDY, NO MORE THAN
7.5 PERCENT OF PROVINCE'S WORKERS HAVE BEEN IN CATEGORIES AFFECTED
BY MINIMUM WAGE REGULATIONS IN PAST FIVE YEARS.

2. BUSINESS AND CONSUMER REPRESENTATIVES CRITICIZED LAST MINIMUM
WAGE RISE WHICH OCCURRED LAST JANUARY. AT THAT TIME, THEY CLAIMED
THAT IT WOULD ADVERSELY AFFECT THE VIABILITY OF FIRMS IN THE WEAKEST
SECTORS OF THE ECONOMY AND COULD RESULT IN A LOSS OF JOBS. MINISTRY
OF LABOR OFFICIALS COUNTERED WITH CLAIM THAT THEIR STUDY
INDICATES THAT EMPLOYEES LAID OFF AS RESULT OF MINIMUM WAGE RISE DID
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NOT EXCEED .3 PERCENT OF THOSE EMPLOYED. MOREOVER, OFFICIALS ASSERT
THAT MAXIMUM EFFECT ON PRICES WILL BE NO MORE THAN 1 PERCENT RISE.

3. COMMENT: WHILE WE HAVE NOT YET SEEN FULL TEXTS OF STUDIES MENTIONED
ABOVE, CONVERSATIONS WITH EXECUTIVES FROM HOTEL AND RESTAURANT
INDUSTRY, ONE OF THOSE MOST EFFECTED, WOULD INDICATE THAT ADVOCATES
OF WAGE RISE MAY HAVE CHOSEN TO SELECT PASSAGES FROM STUDIES

WHICH SUPPORT THEIR OWN POINTS OF VIEW. ACCORDING TO OUR SOURCES, MINIMUM WAGE RISES HAVE BEEN IMPORTANT FACTOR IN DRIVING PRICES IN QUEBEC'S CATERING AND HOTEL INDUSTRY TO LEVELS WHICH HAVE DISCOURAGED MANY TOURISTS FROM COMING TO QUEBEC. THUS, WAGE RISES HAVE HAD AN INDIRECT IMPACT ON EMPLOYMENT AND MAY HAVE HAD A MORE DIRECT ONE ON VIABILITY OF MARGINAL INDUSTRIES. PERHAPS RISE IN MINIMUM WAGE WILL FORCE SOME OF NEEDED BUT POLITICALLY DIFFICULT RESTRUCTURING OF QUEBEC ECONOMY BY SQUEEZING OUT SOME MARGINAL ENTERPRISES. HOWEVER, IT WOULD SEEM TO BE EXCESSIVELY BLUNT INSTRUMENT, IF THIS IS INDEED ONE OF GOQ'S INTENTIONS.

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